SUPPLEMENTAL DIRECT TESTIMONY OF
ALICE A. FOX
ON BEHALF OF
SOUTH CAROLINA ELECTRIC & GAS COMPANY
DOCKET NO. 2009-5-G

Q. ARE YOU THE SAME ALICE A. FOX THAT PREFILED DIRECT TESTIMONY IN THIS MATTER ON BEHALF OF SOUTH CAROLINA ELECTRIC & GAS COMPANY ("SCE&G" OR "COMPANY")?

A. Yes, I am.

Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT TESTIMONY IN THIS PROCEEDING?

A. The purpose of my supplemental direct testimony is to set forth the revisions to SCE&G's Purchased Gas Adjustment (Firm Gas Only) Tariff ("PGA Tariff") that are necessary to reflect the Company's proposed change to the "material difference" threshold currently established to determine when new monthly gas cost factors are to be implemented.

Q. WHY ARE REVISIONS TO THE PGA TARIFF NECESSARY TO REFLECT THE PROPOSED CHANGE IF APPROVED?

A. As the Commission is aware, SCE&G recalculates the gas cost factor for each customer class each month using a rolling 12 month forecast of both demand and commodity related inputs. Currently, if these calculations show a difference of $0.01 per therm or more for any factor (either positive or negative), then all factors are required to be adjusted. This mechanism was approved by the Commission in Order Nos. 2005-653 and 2006-679. Since its establishment, this "material difference" of $.01 per therm is the criterion used to trigger any change to the monthly gas cost factors. Therefore, if this "material difference" threshold is to be changed, the PGA Tariff must be amended to reflect the change.

Q. HAVE YOU PREPARED A REVISED PGA TARIFF THAT REFLECTS THE CHANGES PROPOSED IN YOUR DIRECT TESTIMONY?

A. Yes. Attached to my supplemental direct testimony as Exhibit No. ___(AAF-3) is a copy of the proposed tariff reflecting the amended language. Consistent with my direct testimony, the amended language requires gas cost factors to be changed when SCE&G's monthly calculation of factors reflect a material difference in any one factor of more than $0.04 per therm (positive or negative). If any monthly calculation reflects a change in all rate factors of $0.04 per therm or less, then the proposed language, consistent with the request set forth in my direct testimony, provides SCE&G with the discretion to adjust the gas cost factors based upon its determination of whether the change would have a reasonable impact on customers' bills.

Q. WHAT REQUEST DO YOU HAVE OF THE COMMISSION REGARDING THE PROPOSED CHANGES TO THE PGA TARIFF?

A. On behalf of SCE&G I respectfully request that the proposed changes to the PGA Tariff be approved for implementation on and after the first billing cycle of January 2010.

Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY?

A. Yes.

SOUTH CAROLINA ELECTRIC AND GAS COMPANY
PURCHASED GAS ADJUSTMENT
FIRM GAS ONLY

This adjustment is applicable to and is part of the Company's firm gas rate schedules. The cost will be calculated to the nearest one-thousandths of a cent, as determined by the following formula, and will be included in the base rates to the extent approved by the Public Service Commission. All costs and factors will be recalculated monthly for a forward looking 12-month period. Adjustments in gas cost factors will be made for all factors in any month in which the recalculation indicates that any factor requires an adjustment of ~~$0.01 per therm or~~ more than $0.04 per therm. If the recalculation indicates the adjustment is less than or equal to $0.04 per therm, then the Company may nevertheless adjust the rate if, in its sole discretion, it determines that a rate adjustment would reasonably impact customers' bills. The recalculation shall be made based on information current as of a mid-month date selected by the Company which allows for revised factors to be filed and acted on by the Commission before the first billing cycle of the month in which they are to be effective. All components of the recalculation (commodity costs, demand charges, firm sales, industrial revenue credits, capacity release credits, over or under collections, carrying costs, etc.) shall reflect current forecasts and balances as of the date of the recalculation. Differences between firm cost of gas revenues actually billed and firm cost of gas expenses actually incurred for each month, as defined below, will be calculated monthly, for both Demand Charges and Firm Commodity Benchmark charges, and accumulated. The accumulated amounts will be applied to subsequent cost of gas factor calculations as detailed herein with monthly carrying costs calculated at the rate of one-twelfth of the annual applicable interest rate. This annual rate is defined as the rate of interest as of the first day of each month for 10-year U.S. Government Treasury Bills plus an all-in spread of 65 basis points (0.65 percentage points) with this total carrying costs annual rate not exceed 6%. The rate will be applied to the cumulative balance of over or under recovery as of the close of the prior month for each customer class for both demand and commodity with no carrying cost applied to over or under-collection balances equal to or exceeding $20 million dollars. The resulting interest adjustment will be applied to the demand and commodity cost of gas recovery balances for each customer class. The Demand Charges and Firm Commodity Benchmark charges shall be calculated as set forth below.

A. Demand Charges:

$$\textbf{Demand Charges per Therm by Class} = \frac{[a-(b+c)] \times \text{Rate Class Percentages} *}{\text{Firm Sales Therms by Rate Class}}$$

(a) Capacity charges and reservation fees for transportation, storage and LNG.

(b) Released capacity at 75% of the net compensation received from secondary market transactions. (See "Note-1" below)

(c) Margin Revenue from interruptible rates above $.02081 per therm. Margin Revenue is the total amount received for such sale less the commodity cost of gas determined in B below.

~~* The initial rate class percentages are (Residential Rate 32 -66.81%, General Rates 31, 33 & 36 -30.46% and Large General Rates 34 & 35 - 2.73%).~~

All calculations of Demand Charges by customer class shall be done monthly. The full amount of any Margin Revenue as stated in C above, shall be credited to the Demand Cost. Additionally, SCE&G will revise the rate class percentages to reflect the current weighting of 50% of annual peak day forecast and 50% of forecast annual sales in each annual Purchased Gas Adjustment filing.

NOTE-1: "Released Capacity" shall include all transactions which involve the use of gas transportation capacity rights, storage rights or similar off-system rights or assets owned by SCE&G, but only if the cost of those rights or assets is borne by firm gas customers in South Carolina. "Net value received" shall mean the gross compensation received from the "released capacity" transactions, less all transportation charges, taxes or other governmental charges, brokerage fees or commissions, or other costs or charges related to the transaction, including all costs incurred in purchasing natural gas supplies that form part of the transaction.

B. Firm Commodity Benchmark:

Where: Firm Gas Cost per Therm = $\mathbf{\dfrac{(p-d)}{s}}$

(p) Total variable cost of natural gas (processed or unprocessed), vaporized liquid natural gas, synthetic gas, propane-air mixture, landfill gas, or other source of methane gas or any mixture of these gases entering the Company's system in dollars including any additions or subtractions from Price Risk Adjustment.

(d) The cost of gas attributable to all sales made by the Company to customers under an interruptible rate or contract or any Special Market Priced Customers, such costs to be calculated by dividing the total price paid for commodity gas for the month by the volumes of gas purchased for the month (adjusted for shrinkage) with the resulting unit price then multiplied by interruptible sales therms for the month. (See "Note-2" Below)

(s) Total firm therm sales of gas. Total sales being defined as those sales excluding gas sold under D above recorded on the Company's books in Accounts 480 through 483 per The Uniform System of Accounts for Class A and B Gas Utilities of the National Association of Regulatory Utility Commissioners (NARUC).

NOTE-2: Special Market Priced Gas includes, without limitation, market priced gas sold to Compressed Natural Gas (CNG) customers under SCE&G's Developmental Rate for CNG and emergency gas customers sold under provisions providing for Emergency Gas sales.
The appropriate revenue related tax factor is to be included in the calculation of Demand Charges and the Firm Commodity Benchmark.

C. Alternative Commodity Benchmark Calculation Related to Interruptible Sales

Interruptible sales are priced to reflect the cost of gas supplies available at the time the sales are transacted. The Firm Commodity Benchmark is calculated as a system-wide average at month's end. In some cases, the market price of gas supplies may change within a month such that the Firm Commodity Benchmark plus $.02081 per therm is higher than the price quoted for interruptible sales. In such cases, SCE&G may calculate an Alternative Commodity Benchmark for those interruptible sales whose prices fall below the Firm Commodity Benchmark. SCE&G shall then use that Alternative Commodity Benchmark plus $.02081 per therm in calculating the Margin Revenue from those sales.

The Alternative Commodity Benchmark --The Alternative Commodity Benchmark shall be calculated using the following formula:

Cost of Gas per Term = $\mathbf{\dfrac{p}{d}}$

(p) Total variable cost of gas (of whatever type) entering the Company's system that was purchased, nominated, injected or otherwise obtained to support the interruptible sales whose prices are lower than the Firm Commodity Benchmark.

(d) The interruptible sales, in therms, whose prices are lower than the Firm Commodity Benchmark.

The costs and quantities of gas used in such calculation shall be excluded from the calculation of the Firm Commodity Benchmark under Section B, above.
Margin Revenue from Interruptible Sales: In those months in which SCE&G elects to compute an Alternative Commodity Benchmark for interruptible sales, it shall use that Alternative Commodity Benchmark to compute Margin Revenue from interruptible sales and shall include the Margin Revenue so calculated in factor (c) of the Demand Cost calculation under Section A, above.

Whenever SCE&G elects to compute an Alternative Commodity Benchmark for interruptible sales, it shall provide written notice thereof to the Commission and the Office of Regulatory Staff, within 30 days of adopting the resulting adjustment to prices and volumes.